



## Democrats Would Make American Child Care More Expensive

A bill would add regulation and shift costs to higher-income parents.

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Over the summer, I [wrote here](#) that President Joe Biden’s child benefits — \$300 per month for each child under the age of 6 and \$250 for kids up to the age of 17 — help American parents pay for child care but don’t reduce the cost of child care.

Now Democrats propose to raise those costs.

### Two problems

As part of Biden’s “build back better” agenda, Democrats would funnel billions in dollars to states to expand child care and provide low-income parents with child-care subsidies to pay for it.

There are two problems with the legislation:

1. It would make child care more expensive by adding regulations.
2. It would shift costs from low- to high-income parents.

### American child care today

The average cost of infant care in the United States is \$15,888 per year, although it’s not unusual for parents to spend up to \$26,000 per year on child care.

For comparison, the median household income in America is \$67,500.

Parents can deduct child-care costs from their taxes, but a third of families don't pay enough — or any — income tax, so that doesn't help them.

Costs vary between states. In Mississippi, one of the poorest, full-time daycare for a 4 year-old cost just \$4,556 in 2016, when daycare centers in Connecticut, the District of Columbia, Illinois, Massachusetts, New Jersey, New York, Rhode Island, Vermont and Washington state charged in excess of \$10,000 per child.

The difference is due to regulations:

- **Staff-to-child ratios:** In European countries, daycare workers may be responsible for twelve to sixteen children at age 2 to between 23 and 25 children at age 4. In Connecticut, New York and Vermont, daycare workers cannot be responsible for more than four or five children at age 2. At age 4, they're allowed a group of eight to ten kids; less than half the European average. Republican-controlled states have looser ratios or no ratios at all.
- **Worker qualifications:** Denmark and Sweden require just one certified staff member per kindergarten. Other workers can be uncertified or even unpaid volunteers. Still they have among the best child care in the world. In the United States, virtually all child-care roles require some form of certification, but again "blue" states tend to have stricter requirements.

Biden has ordered a wide-ranging review of licensing requirements, not just in child care. It seems his party didn't get the memo, because the bill before Congress would tighten requirements, not loosen them.

### **How the bill would raise costs**

Ryan Bourne of the libertarian Cato Institute argues the legislation would raise costs in three ways:

1. To qualify for subsidies, child-care centers would have to pay their workers the same salary as elementary school teachers. That sounds reasonable, except the difference is huge. The median child-care worker is currently paid \$25,460 per year. The median elementary school teacher is paid \$60,660. Out of the \$15,888 average cost of child care I mentioned earlier, \$9,480 goes to wages and another \$768 to worker benefits. Raising salaries in child care to match those in education would almost double the cost of child care: from \$15,888 to \$28,970 per year.
2. To qualify for federal grants, states would have to develop licensing regimes "appropriate for child-care providers in a variety of settings." The worry is that this will be used to force Republican states to match Democratic standards.
3. States would further be required to divide providers into "quality" tiers and allocate resources in such a way as to incentivize higher quality. But "quality" would be measured by the very staff-to-child ratios and certification requirements that push up costs in the first place.

## Who will pay for it?

Here I'll borrow from Matt Bruenig of the left-wing People's Policy Project. It's notable he and Bourne agree the costs would be spread out unfairly despite coming at this from opposite ends of the political spectrum.

The legislation would pay the full cost of child care for parents earning under 75 percent of their state's median income.

Parents earning between 75 and 100 percent of the state median income would have to contribute at most 2 percent of their income to child care. The rest would be covered by taxpayers.

Those earning up to 125 percent of the median state income would pay at most 4 percent out of pocket, and those earning more would pay at most 7 percent. So even the rich could receive subsidies — if their child care is that expensive.

The problem is with how the subsidies would be phased in. Only parents earning less than their state's median income would qualify for subsidies from the start. Parents earning under 115 percent of the median income would qualify in 2023; parents earning under 130 percent in 2024; and finally all parents from 2025.

Democrats argue the phase-in is needed to give child-care providers time to adjust to the new rules, which sounds reasonable. The new regulatory requirements would likely tighten supply at the same time as the new subsidies drive up demand. Providers will need time to hire and upskill staff.

But that will leave parents earning more than the median income in the lurch. Until their subsidies kick in, they could be paying almost twice as much on child care!

These are not all super-rich people. 115 percent of the national median income is \$77,650. A quarter of Americans make that much money or more. 130 percent of the national median household income is \$87,780. One in five Americans make that much money.

My preference would be for deregulation. That should cause prices to fall rather than rise. If Democrats insist on adding regulations, they should phase those in after three years, by which time the full subsidy regime would be in place. Otherwise they're punishing higher-income parents.